centres will provide multi-utility services such as internet, e-mail access and internet libraries.

To provide the legal framework for transaction on Internet and e-commerce, Information Technology Bill, 1999 was introduced in the last session of the Parliament. Such a legal framework will facilitate and give a fillip to the e-commerce activities in the country.

Brain Drain in Infotech Sector

72. SHRI RAJNATH SINGH 'SURYA': Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether it is a fact that most of our software engineers are leaving the country;

(b) if so, the steps proposed for curbing this outflow;

(c) what incentives Government are considering to promote indigenous equipment production; and

(d) what would be import component in expanding infotech sector in India?

THE MINISTER OF PARLIAMENTARY AFFAIRS AND THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) and (b) It is not correct that most of our Software Engineers are leaving the country. However, from time to time some engineers do leave because of better employment opportunities abroad. Government of India amongst other measures has been strengthening the infrastructure and promoting venture creation thereby encouraging IT companies to set up off-shore software development and IT enabled services. This is expected to provide better employment opportunities and also discourage engineers from going abroad.

(c) A statement is enclosed. (*See* below).

(d) The import component for the Infotech sector during the year 1999-2000 is estimated to be about Rs. 6,500 crores.

Statement

The details of Incentives to IT Sector are as under:

A Special Advance Licensing Scheme for export of Electronics products has been notified vide DGFT Public Notice No. 41 (RE-98)/1997-2002 dated 16-9-98. The imports under the scheme shall precede export and the licences under the scheme shall be issued with the positive value addition. The Designated Officers of the Ministry of Information Technology (MIT) have been entrusted with the task of verifying the relevance/usability of inputs in the export product as well as the quantity required.

As a major step to encourage production and exports, the facility to import capital goods under the Export Promotion Capital Goods (EPCG) Scheme at zero duty with a reduced threshold limit of Rs. 1 crore was extended to the electronics industry w.e.f. April 14, 1998. For Software sector this limit was reduced to Rs. 10 lakhs. The export obligation required to be fulfilled is 6 times CIF value of CG on FOB basis or 5 times CIF value of CG on NFE basis, over a period of six years.

A separate procedure for consideration of EPCG applications pertaining to the electronics and software sectors has been notified vide DGFT Public Notice No. 15(RE-98)/1997-2002 dated 8.6.98, whereby these applications are considered by the Licensing authorities on the recommendations of the Designated Officers of MIT instead of being placed before the EPCG Committee. DGFT have also issued a Public Notice No. 29 (RE-98)/1997-2002 dated 1.9.99, as per which units in electronics and software sectors will have option to apply for EPCG Licence to the competent authority on the basis of self-declaration regarding the nexus between the CG to be imported with the items to be exported.

Foreign investment of upto 100% is permitted in units set up solely for exports. Various incentives are available for export-oriented units, which include duty fee imports of capital goods, raw-materials, components and other inputs, tax holidays against export and access to the domestic market. Such units can be set up under any of the

schemes, viz., Electronics Hardware Technology Park (EHTP), Software Technology Part (STP), Export Processing Zone (EPZ) and 100% Export Oriented Units (EOU). The EHTP scheme has been designed to meet the specific requirement of a globally-oriented electronics sector. Software Technology Park Scheme is an export oriented scheme for the development and export of computer software using data communication links or in the form of physical media, including export of professional services.

EHTP and STP scheme are implemented under the aegis of the Ministry of Information Technololgy through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).

Powers of approval of the Designated Officers of MIT for implementation of STP/EHTP schemes have been further enhanced, vide Para 9.37 of the Ministry of Commerce Handbook of Procedures (Vol. I), 1997-2002 (incorporating amendments made upto 31.3.99). They can now approve setting up of STP/EHTP units where foreign exchange required for import of Capital goods (net of taxes) is upto US$ 10 million.

A special stock option scheme for Indian Software Companies linked with ADR/GDR offerings by these companies, as an instrument to enable these companies to provide incentives to retain their highly skilled professionals, has been notified vide Reserve Bank of India (RBI) A.D (M.A.) Circular No. 25 dated 7.8.98.

RBI has framed Guidelines dated 8.8.98 for sanction of working capital finance to information technology and software industry.

Government has approved setting up of National Venture Fund for Software and IT Industry (NFSIT) with a corpus of Rs. 100 crores, out of which MIT shall contribute Rs. 30 crores.

Provisions for issue of Sweat Equity of companies has been introduced in the Companies (Amendment) Act, 1999.

In the EXIM Policy, 1997-2002 (incorporating amendments made upto 31.3.99), DTA access upto 50% of the FOB value of export has been permitted for electronics hardware units under EOU/EPZ/

EHTP schemes and the software units under EOU/EPZ/STP schemes. Broadbanding has been permitted in the DTA sales of Hardware manufactured by EHTP units for items covered in the Letter of Permission.

The procedures for operation of the units in the EHTP/EOU/EPZ/STP schemes have been simplified considerably and a number of operations have been permitted on the basis of self-certification, as per Chapter 9 of Ministry of Commerce Handbook of Procedures (Vol. I), 1997—2002 (incorporating amendments made upto 31-3-99).

Procedure for sub-contracting of production process in DTA has been made simpler for EHTP/EOU/EPZ/STP units, in terms of Department of Revenue Notification No. 44/98-Customs dated 2-7-98.

Manufactures—importers of Electronics goods having investment of Rs. 3 crores and above and units in EPZs/EHTP and STP are eligible for fast-track clearance of goods imported by them vide Ministry of Finance (CBEC) Circular No. 56/98 dated 3.8.98.

Value addition norms for Rupee exports to Russia reduced from 100% to 33% under Advance Licensing Scheme, as per Para 7.10 of the EXIM Policy, 1997—2002 (incorporating amendments made upto 31.3.99).

The Depreciation on Computers has been allowed @60%.

In the 1999-2000 Budget, Customs duty on Computers and Peripherals has been reduced from 22% to 20%. The Customs duty on all storage devices, integrated circuits and microprocessors has been made uniform at a level of 5% and Customs duty on parts of computers has been brought down from 10% to 5%. The customs duty on Data display tubes and Deflection components of colour monitors is @ 5%.

Information Technology Software has been exempted from Customs Duty.

EOU/EPZ/STP/EHTP units have been exempted from payment of Corporate Income Tax for 10 years.

Profits from export of computer software are eligible for Income Tax deduction in terms of Section 80 HHE of the Income Tax Act.

Definition of Computer Software, as in Section 80 HHE of the Income Tax Act has been widened to include transmission of data.

Benefit of Section 80 HHE has been extended to supporting software developers.

Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector.

Computer system have been made freely importable, vide EXIM Policy, 1997—2002, applicable w.e.f. 1.4.99.

The donation of computers imported duty free by EOU/EPZ/STP/EHTP units to recognised non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishement, etc. two years after their use by said units has been permitted vide Ministry of Finance Notification No.47/98-Customs dated 16.7.98.

The second-hand computers and computer peripherals donated by an outside donor to Government schools have been exempted from customs duties, vide Ministry of Finance, Notification No. 18/99-Cus. dated 11.2.99.

Income by way of dividends or long-term Capital gains of a Venture-Capital Fund or Venture Capital company from investemnt made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

Under the Employee Stock Option Scheme, income tax payable on income from GDRs purchased in foreign currency by a resident employee of IT software and service companies, shall be at a concessional rate of 10%.

The expenditure incurred to make the existing computer system Y2K complaint shall be treated as revenue expenditure and hence

will be eligible for deduction in computing the income of the business.

To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purpose of scientific, social or statistical research has been provided.

Non-payment of wages by sick PSUs

73. SHRI SATISHCHANDRA SITARAM PRADHAN: Will the Minister of LABOUR be pleased to state:

(a) the number of Public Sector Undertakings who are bad pay masters as far as Wages, Provident Funds and Pensions are concerned;

(b) for how many months they have not paid the wages;

(c) whether there is any unrest amongst the employees; and

(d) what is the remedial action taken in this matter?

THE MINISTER OF STATE IN THE MINISTRY OF LABOUR (SHRI MUNI LALL): (a) and (b) Some of the employees of the Public Sector Undertakings have not paid wages and other statutory dues on account of the weak financial position of these undertakings. A statement showing the month since when wages have not been paid in some of the major PSUs is enclosed. (*See* below)

(c) and (d) Unrest has been reported for non-payment of wages in some of the Public Sector Undertakings. The Government has constituted a Group of Ministers to consider and give recommendations in respect of the problems relating to payment of wages, salaries and statutory dues of employees in Central Public Sector Undertakings (CPSUs).